

## SEPARATION OF CRITICAL DUTIES IN TRANSACTION CYCLES WITHIN THE STATE COURT SYSTEM

The purpose of “**separation of duties**” is to ensure that no single individual is placed in such a circumstance that (s)he can cause and conceal errors and/or irregularities (or be vulnerable to others doing so), while performing regularly assigned duties. Three fundamental categories of duties must be separated:

1. Custody of assets
2. Authorization of transactions (including authorization to execute a transaction); and
3. Record keeping/accounting/reconciliation.

*Critical duties* are those duties which must be divided among employees to clearly establish accountability and to reduce opportunities for misuse of funds. Other *non-critical duties* may also occur in a given transaction cycle, but need not be addressed for the purpose of “separation of duties.”

Achieving a complete division of critical duties depends on the staff available in a court. A court with a small staff may have to allow some overlap of duties. In each instance of overlap, the Court Executive must document in writing a plan providing for an “External Review” of the documents and transactions that relate to that transaction cycle, to be done by an employee who is independent of that transaction cycle. Court Executives should assign Clerks of Court or other designees to conduct monthly “External Reviews,” as local court circumstances may require.

Adequate separation of duties would exist if only one employee performs the set of critical duties for any one category within the three fundamental categories of a transaction cycle. No employee should have control over all three categories of duties for a transaction cycle, either formally or informally.

Following are charts which outline and separate the critical duties in transaction cycles within the State Court financial system.

District: \_\_\_\_\_ Court Office: \_\_\_\_\_ Effective Date: \_\_\_\_\_

**TRANSACTION CYCLE: HAND RECEIPT USE**

<b>DUTY 1: Custody of Asset</b>	<b>DUTY 2: Authorized to Use</b>	<b>DUTY 3: Record Keeping/Accounting</b>
<p align="center"><b>Hand Receipt Custodian</b></p> <p>Secures the inventory of new and used hand receipt books. Distributes the hand receipt books to cashier clerk(s), one book per clerk. Maintains the distribution log.</p>	<p align="center"><b>Cashier Clerk(s) <u>currently</u> assigned Hand Receipt Books</b></p> <p>Secures assigned hand receipt book. Issues hand receipts. <i>(See Accounting Manual)</i>.</p>	<p align="center"><b>Hand Receipt Reconciler</b></p> <p><b>DAILY:</b> Reconcile the issued hand receipts (yellow copies turned in with Cash Count Forms) to the corresponding daily computer receipt records to ensure the receipt details and composition agree.</p> <p><b>QUARTERLY:</b> Account for the numerical sequence of assigned hand receipts by verifying that the hand receipts were issued and receipted on the computer, voided properly, or are still unused in the receipt book.</p> <p><b>SEMI-ANNUALLY:</b> Compare the AOC Finance Hand Receipt Distribution records to the Hand Receipt Custodian's Log to verify that all the books were received and entered on the Custodian's Log. <i>(See Accounting Manual)</i>.</p>
<b>Individual(s) assigned:</b>	<b>Individual(s) assigned:</b>	<b>Individual(s) assigned:</b>
		<b>DAILY:</b>
		<b>QUARTERLY:</b>
		<b>SEMI-ANNUAL:</b>

IF NEEDED, EXTERNAL REVIEW PERFORMED BY: Name: \_\_\_\_\_ Phone: \_\_\_\_\_ Court Location: \_\_\_\_\_

District: \_\_\_\_\_ Court Office: \_\_\_\_\_

Effective Date: \_\_\_\_\_

### TRANSACTION CYCLE: CASH CHANGE FUND USE

<b>DUTY 1:</b> <b>Custody of Assets</b>	<b>DUTY 2:</b> <b>Authorized Use</b>	<b>DUTY 3:</b> <b>Record Keeping/Accounting</b>
<p style="text-align: center;"><b>Cash Change Fund Custodian</b></p> <p>Delegates a portion of the local court Cash Change Fund to <i>Cashier Clerk(s)</i> to use in the receipting process. Retains a portion to make change for <i>Cashier Clerks</i> who run short of change. The custodian is responsible for any shortages or irregularities in accounting for the Cash Change Fund.</p> <p><i>The court should have one Cash Change Fund Custodian and an alternate.</i></p>	<p style="text-align: center;"><b>Cashier Clerk(s) assigned a portion of the Cash Change Fund</b></p> <p>Authorized to use assigned portion of the local court Cash Change Fund to make change in the receipting process.</p> <p>The <i>Cashier Clerk</i> secures their portion of the Cash Change Fund in their locked cash drawer or other locked container during the day. The fund is kept overnight in the court safe or vault.</p> <p><b>Cashier Clerk(s)</b> record their Cash Change Fund amount on the daily Cash Count form.</p>	<p style="text-align: center;"><b>Deposit Verifier/Preparer</b></p> <p>The <i>Deposit Verifier/Preparer</i> performs a verifying count of Cashier Clerk(s) receipts and Cash Change Fund in the presence of each Cashier. Both the Cashier and the Verifier sign the Cash Count Form as accurate. This process documents that the Cashier Clerk's portion of the Cash Change Fund is intact. The Cashier Clerk gives the original Cash Count Form to the Accounting Clerk. The <i>Deposit Verifier/Preparer</i> takes custody of the Cashiers' receipts and prepares the revenue and trust deposits.</p>
<b>Individual(s) assigned:</b>	<b>Individual(s) assigned:</b> AOC AUDIT 12/1/2004	<b>Individual(s) assigned:</b>

**District:** \_\_\_\_\_ **Court Office:** \_\_\_\_\_ **Effective Date:** \_\_\_\_\_

IF NEEDED, EXTERNAL REVIEW PERFORMED BY: Name: \_\_\_\_\_ Phone: \_\_\_\_\_ Court Location: \_\_\_\_\_

### TRANSACTION CYCLE: *MAIL PAYMENTS*

<b>DUTY 1: Record Keeping</b>	<b>DUTY 2: Record Keeping</b>	<b>DUTY 3: Custody of Assets</b>	<b>DUTY 4: Authorization and Custody of Assets</b>	<b>DUTY 5: Record Keeping/Accounting</b>
<b>Mail Log Preparer</b>  Records mail payments on the Daily Mail Log.  <i>The Mail Log Preparer and Witness may work together to ensure all mail payments are recorded.</i>	<b>Mail Log Witness</b>  Witnesses that all payments received by mail are recorded on the log.	<b>Cashier Clerk(s) Who Receipt Mail payments</b>  If both the Mail Log Preparer and Witness sign the Mail Log attesting to the accuracy of the payments listed, either clerk can receipt mail payments on the computer.	<b>Deposit Verifier/Preparer</b>  Verifies Cashier Clerk(s) Cash Count Form including mail payments. Include all mail payments in revenue and trust daily deposit(s).	<b>Accounting Clerk</b>  Reconciles the mail log to the daily receipt records.
<b>Individual(s) assigned:</b>	<b>Individual(s) assigned:</b>	<b>Individual(s) assigned:</b>	<b>Individual(s) assigned:</b>	<b>Individual(s)</b>

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District: \_\_\_\_\_ Court Office: \_\_\_\_\_ Effective Date: \_\_\_\_\_

**TRANSACTION CYCLE: *REVENUE/TRUST FUNDS***

<b>DUTY 1: Record Keeping</b>	<b>DUTY 2: Custody of Assets</b>	<b>DUTY 3: Authorization and Custody of Assets</b>	<b>DUTY 4: Record Keeping/Accounting</b>
<p align="center"><b>Accounts Receivable Set Up Clerk</b></p> <p>Sets up amounts due from judicial order or citation.</p> <p>A clerk other than a clerk with access or custody to money should enter citations or set up Accounts Receivables.</p>	<p align="center"><b>Cashier Clerk(s) receipting Revenue and Trust payments</b></p> <p>Receipts revenue and trust payments, and maintains funds in a secure device.</p>	<p align="center"><b>Deposit Verifier/Preparer</b></p> <p>The <i>Deposit Verifier/Preparer</i> does a verifying count of Cashier Clerk(s) receipts and signs the Cash Count form in the presence of the Cashier.</p> <p>Reconciles Cashier Clerk(s) receipts submitted for deposit (including mail payments) with the daily computer receipt records for each Cashier. Prepares revenue and trust deposits.</p>	<p align="center"><b>Accounting Clerk</b></p> <p>The clerk performs the daily balancing making necessary adjustments, e.g., over/short.</p> <p>Reviews transaction reversals (canceled receipts), credits (modify orders), and adjustments to A/R. Reconciles cashier Cash Count Forms, to receipt records, and to the deposit slips.</p> <p>Prepares weekly revenue reports.</p>
<b>Individual(s) assigned:</b>	<b>Individual(s) assigned:</b>	<b>Individual(s) assigned:</b>	<b>Individual(s) assigned:</b>

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**TRANSACTION CYCLE: *DISBURSEMENT OF TRUST ACCOUNT FUNDS* (Complete a Separate page for each account)**

<b>DUTY 1: Custody of Asset</b>	<b>DUTY 2: Record Keeping/Accounting</b>	<b>DUTY 3: Authorization of Disbursement</b>	<b>DUTY 4: Reconciliation</b>
<b>Trust Account Check Stock Custodian</b>  Secures the inventory of the blank check stock paper. Retrieves the check stock needed for the trust account check writer.	<b>Trust Account Check Writer</b>  Requests pre-numbered trust checks or blank check stock paper from custodian. Prepares checks and updates check register. Reviews trust funds held in the trust account quarterly to ensure funds are disbursed timely.  An alternate should be assigned who is not also a trust check signer or reconciler.  (List all clerks authorized to use Create-a-Check through AOC IT.)	<b>Trust Account Check Signers</b>  After review of supporting documentation, the required dual signatures indicate the trust disbursement is approved. The employee performing the second signature mails the checks and/or delivers the checks, payable to the court revenue account, to a cashier.	<b>Trust Account Reconciler</b>  The reconciler or designee should open the bank statement and review cancelled checks and prepare the monthly reconciliation of Trust Account.
<b>Individual(s) assigned:</b>	<b>Individual(s) assigned:</b>	<b>Individual(s) assigned:</b>	<b>Individual(s) assigned:</b>

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**TRANSACTION CYCLE: *JUROR/WITNESS PAYMENTS USING NEW FINET***

<b>DUTY 1: Record Keeping</b>	<b>DUTY 2: Authorization<sup>1</sup></b>	<b>DUTY 3: Reconciliation<sup>2</sup></b>
<p align="center"><b>Payment Clerk</b></p> <p>Juror/Witness payment clerk/designee stamps witness subpoena, juror summons or jury list and enters coding. Payment clerk enters payment information into the New FINET.</p> <p>Juror lists and subpoenas serve as authorization for payment and are to be filed by day within the month for reconciliation and audit purposes.</p>	<p align="center"><b>Payment Approval</b></p> <p>AOC Finance employee(s) with FINET user rights approves Juror or Witness payments issued by a court office employee.</p>	<p align="center"><b>Juror/Witness Payments Reconciler</b></p> <p>Employee(s) assigned to perform the monthly reconciliation of payments made to jurors/witnesses. By the end of the month following payment, the reconciler will perform the juror/witness reconciliation according to the instructions provided by AOC Finance.</p>
<b>Individual(s) assigned:</b>	<b>Individual(s) assigned:</b>	<b>Individual(s) assigned</b>

IF NEEDED, EXTERNAL REVIEW PERFORMED BY: Name: \_\_\_\_\_ Phone: \_\_\_\_\_ Court Location: \_\_\_\_\_

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<sup>1</sup>

Court Executives may designate one alternate to electronically approve payables on FINET in their absence.

<sup>2</sup>

Duties 3, 4, and 5 should be performed by 3 different employees, if possible. If staffing does not permit this level of separation, one employee could perform duties 3 and 5. To compensate for separation of duties weaknesses, post audit reviews will be performed by AOC Finance.

District: \_\_\_\_\_ Court Office: \_\_\_\_\_ Effective Date: \_\_\_\_\_

**TRANSACTION CYCLE: *PETTY CASH***

<b>DUTY 1: Custody and Reconciliation of Asset</b>	<b>DUTY 2: (Optional) Custody and Reconciliation of Asset</b>	<b>DUTY 3: Authorization of Expenditures</b>
<p align="center"><b>Petty Cash Custodian</b></p> <p>Access to the fund is restricted to only the custodian. The Custodian is responsible for any shortages or irregularities in accounting for the Petty Cash Fund.</p>	<p align="center"><b>Alternate Petty Cash Custodian</b></p> <p>The <i>alternate custodian</i> serves in the absence of the <i>custodian</i>. A count of the fund and receipts is to be performed when the transfer of accountability occurs.</p>	<p align="center"><b>Petty Cash Fund Expenditure Reviewer</b></p> <p>The <i>Court Executive or designee</i> is to review and authorize (sign) the <i>Petty Cash Fund Reimbursement Request forms</i>.</p> <p>The Court Executive or designee needs to perform and document an “unannounced” verification count of the Petty Cash Fund and receipts three times per year. (<i>See Accounting Manual.</i>)</p>
<b>Individual(s) assigned:</b>	<b>Individual(s) assigned:</b>	<b>Individual(s) assigned</b>

IF NEEDED, EXTERNAL REVIEW PERFORMED BY: Name: \_\_\_\_\_ Phone: \_\_\_\_\_ Court Location: \_\_\_\_\_



District: \_\_\_\_\_ Court Office: \_\_\_\_\_ Effective Date: \_\_\_\_\_

**Transaction Cycle: *Purchasing/Payables***

<b>DUTY 1: Authorization</b>	<b>DUTY 2: Custody of Asset</b>	<b>DUTY 3: Record Keeping/Accounting</b>	<b>DUTY 4: Authorization<sup>3</sup></b>	<b>DUTY 5: Reconciliation<sup>4</sup></b>
<i>Employee</i> authorized to make purchases.	Employee(s) receiving purchases should examine items delivered for damage, shortages of quantity, etc. prior to signing receiver document. Submit receiver to the Input Clerk.	Input clerk/designee stamps invoice and enters coding. Input Clerk enters payment information into the New FINET, and scans the invoice and supporting documentation into FINET (attached to FINET Payable Document).	Court Executive or designated alternate compares each FINET Payable Document to the scanned invoice and supporting documentation.  Ensures the expenditure is valid and all information has been entered into FINET accurately, then enters the electronic approval.	After the invoice and supporting documentation is scanned (see duty 3), the documents are routed to the reconciler. The reconciler enters the payable information into Quicken. After month end, the employee reconciles FINET to Quicken.  AOC Finance performs a Post-Audit of expenditures. Issues will be reported to the Court Executive/Input Clerk.
<b>Individual assigned:</b>	<b>Individual assigned:</b>	<b>Individual assigned:</b>	<b>Individual assigned:</b>	<b>Individual assigned:</b>

IF NEEDED, EXTERNAL REVIEW PERFORMED BY: Name: \_\_\_\_\_ Phone: \_\_\_\_\_ Court Location: \_\_\_\_\_

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Court Executives may designate one alternate to electronically approve payables on FINET in their absence.

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Duties 3, 4, and 5 should be performed by 3 different employees, if possible. If staffing does not permit this level of separation, one employee could perform duties 3 and 5. To compensate for separation of duties weaknesses, post audit reviews will be performed by AOC Finance.

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**Transaction Cycle: *Fixed/Current Assets and Inventory***

<b>DUTY 1:</b> <b>Authorization</b>	<b>DUTY 2:</b> <b>Record Keeping</b>	<b>DUTY 3:</b> <b>Custody of Assets</b>
<p align="center"><b>Payment Authorization</b></p> <p><i>Court Executive, Department Head or Designee</i> signs Accounts Payable Authorization form authorizing the purchase of fixed and current assets and inventory.</p> <p>Note: Courts are encouraged to develop policies and procedures to control items susceptible to loss or theft that are not required to be recorded in FINET and are not on the local inventory control list.</p>	<p align="center"><b>Fixed/Current Assets and Inventory Records</b></p> <p>Employee affixes a pre-numbered ID tag to the fixed assets (&gt;\$5,000) and current assets (&gt;\$1,000) after an item is received (within 90 days).</p> <p>The employee maintains a "Current Inventory Control List" of current assets (<i>furninshing and equipment</i>) in the district with an original price between \$1,000 and \$4,999. In addition, maintain a "Retired Inventory List" of those assets that are no longer at location, retaining all documentation relating to the disposition of said property. By April 30 of each year, submit to AOC Finance an inventory of all equipment and furnishings with an original purchase price of more than \$1,000. The AOC Fixed Asset Liaison will annually record each fixed asset with the purchase price of \$5,000 or more in the "fixed asset" section of FINET.</p>	<p align="center"><b>Fixed/Current Assets and Inventory Verification</b></p> <p>Employee, independent of authorization and record keeping duties, verifies the existence of the fixed assets, current assets, and inventory in the district at least once every a year. The employee will trace the items on the Fixed Asset List maintained by AOC Finance (FINET) and the current asset and inventory lists maintained by the employee responsible for record keeping. Any asset that is lost or stolen must be reported to the AOC Finance Department.</p>
<b>Individual(s) assigned</b>	<b>Individual(s) assigned:</b>	<b>Individual(s) assigned:</b>

IF NEEDED, EXTERNAL REVIEW PERFORMED BY: Name: \_\_\_\_\_ Phone: \_\_\_\_\_ Court Location: \_\_\_\_\_

District: \_\_\_\_\_ Court Office: \_\_\_\_\_ Effective Date: \_\_\_\_\_

**Transaction Cycle: *Personnel/Payroll***

<b>DUTY 1: Authorization</b>	<b>DUTY 2: Record Keeping</b>	<b>DUTY 3: Custody of Assets</b>
<p><b>Payroll Processing</b></p> <p>Employee(s) authorized by supervisor to add permanent and temporary court employees into the Personnel/Payroll System. Access to the Personnel/Payroll System will be obtained from the AOC Human Resources Director.</p>	<p><b>Time and Attendance Entry</b></p> <p>Employee(s) authorized by supervisor to enter time and attendance information into the Personnel/Payroll System. Access to the Personnel/Payroll System will be obtained from the AOC Human Resources Director.</p> <p>An employee, with time entry access, should not enter their own time and attendance. The employee's supervisor should forward the time sheet to a second employee authorized to enter time and attendance. Time sheets, signed by both the employee and the supervisor, should be on file supporting all time and attendance entries.</p>	<p><b>Payroll Distribution</b></p> <p>Employee (s), independent of Payroll Processing and Time and Attendance Entry Duties, are authorized to receive/pick-up payroll checks/deposit advices. The payroll checks/deposit advices should be compared to a current list of employees to ensure terminated employees do not receive pay not earned.</p>
<b>Individual(s) assigned:</b>	<b>Individual(s) assigned:</b>	<b>Individual(s) assigned:</b>
<b>Designated AOC Human Resources Employee(s)</b>		
		<p>* It is good business practice to place an employee's payroll check /deposit advice in a sealed envelope to protect wage &amp; privacy. Secure all pay checks until delivered to the employee.</p>

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District: \_\_\_\_\_ Court Office: \_\_\_\_\_ Effective Date: \_\_\_\_\_

**Transaction Cycle: *Transcripts***

<b>DUTY 1: Authorizes Transaction</b>	<b>DUTY 2: Custody of Assets</b>	<b>DUTY 3: Authorizes Refund</b>	<b>DUTY 4: Record Keeping/Accounting</b>	<b>DUTY 5: Reconciliation</b>
<p align="center"><b>Managing Court Reporter/Designated Clerk</b></p> <p>Documents transcript requests and cost estimate on "Transcript Request/Billing Statement" form.</p>	<p align="center"><b>Cashier (Receipting Transcript Fees)</b></p> <p>Receipts payments made for transcripts to the RF-Reporter Fee Code. Issues receipt for customer (in-person) and attaches a copy to the "Transcript Request/Billing Statement" form or written request for Managing Reporter.</p>	<p align="center"><b>Trust Account Check Signers</b></p> <p>Authorized trust check signers review supporting documentation for the transcript refund before signing the check. The employee performing the second signature, mails the refund check. (See Transaction Cycle: Disbursement of Trust Account Funds)</p>	<p align="center"><b>Clerk</b></p> <p>An employee, that does not have access to payments formally or informally (not identified in the mail payment process), mails the billings for transcript fees due to government agencies and other requesting parties.</p>	<p align="center"><b>Reconciler</b></p> <p>Transcripts requests, assigned to Court Reporters, should be reconciled to the transcript fees received (RF-Reporter Fees) monthly. The reconciler, independent of other transcript duties 1-4, should follow transcript reconciliation procedures.</p>
<b>Individual assigned:</b>	<b>Individual assigned:</b>	<b>Individual assigned:</b>	<b>Individual assigned:</b>	<b>Individual assigned:</b>

\* The Court Executive should assign the Reconciliation Duty to an employee in the court office where the Managing Reporter is assigned and central records are kept.

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**TRANSACTION CYCLE: *ACCOUNTS RECEIVABLE MONITORING***

<b>DUTY 1: Record Keeping</b>	<b>DUTY 2: Custody of Assets</b>	<b>DUTY 3: Authorization</b>
<p><b>Accounts Receivable Set Up Clerk</b></p> <p>Sets up amounts due from judicial order or citation. A clerk other than a clerk with access or custody to money should enter citations or set up Accounts Receivables.</p>	<p><b>Cashier Clerk(s) receipting Revenue/Trust payments on <u>past due</u> accounts</b></p> <p>Receipts revenue and trust payments, including payments on <b><u>past due</u></b> accounts, and maintains funds in a secure device.</p>	<p><b>Clerk monitoring past due accounts</b></p> <p><b>District Court:</b> Actively collect on past due receivables and ensure cases are sent to OSDC within 90 days.</p> <p><b>Juvenile Court:</b> Actively collect on past due receivables. Send cases to OSDC (at least over 18 years per local district policy). (See Accounting Manual.)</p> <p>If a case must be resent, the court shall wait one week from the recall date. The clerk, other than the clerk who recalled the case, verifies the new amount owing before resending.</p>
<b>Individual(s) assigned:</b>	<b>Individual(s) assigned:</b>	<b>Individual(s) assigned</b>

IF NEEDED, EXTERNAL REVIEW PERFORMED BY: Name: \_\_\_\_\_ Phone: \_\_\_\_\_ Court Location: \_\_\_\_\_